

Message Text

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PAGE 01 PEKING 00436 140827Z

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ACTION EA-06

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E.O. 11652: N/A

TAGS: ETRD, ENRG, CH, US, HK

SUBJECT: PROPOSED FLUOR CORPORATION REFINERY COMPLEX IN HONG KONG

REF: DEPARTMENT 55124

1. IN CONSIDERING WHAT TO DO ABOUT THE PROPOSAL OUTLINED REFTTEL,
IT IS IMPORTANT TO BEAR IN MIND THAT THE ENTIRE SCHEME, AND THE
REPORTED CHINESE INTEREST BEHIND IT, HAVE BEEN RELATED BY ONE
MAN TO WHOM MACHIMPEX IS SAID TO HAVE MADE THE APPROACH DURING A SHRIMP

NEGOTIATION IN CANTON. SEVERAL OF US IN USLO HAVE KNOWN THIS BUSINESS
MAN

FOR A FEW YEARS. WHILE WE DO NOT DOUBT HIS BASIC INTEGRITY, WE
TOO HAVE FOUND HIM PRONE TO OVERSTATE, OR PERHAPS TO MISPERCEIVE WHAT
HE

HAS BEEN TOLD BY PRC OFFICIALS. IT IS SIGNIFICANT THAT SINCE HE BECAME

INVOLVED IN DIRECT TRADE DEALINGS WITH CHINA IN THE SPRING OF 1972
HE HAS DESCRIBED TO US OFFICIALS A NUMBER OF "VERY LARGE," OFTEN
"HUSH-HUSH" DEALS WITH CHINA WHICH HE CLAIMED TO BE ON THE VERGE
OF CONCLUDING. TO OUR KNOWLEDGE, NONE HAVE COME TO FRUITION THOUGH
HE HAS HAD SUCCESS IN A VARIETY OF ROUTINE TRANSACTIONS.

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2. WE ALSO FAIL TO UNDERSTAND WHY MACHIMPEX ITSELF WOULD

PROMOTE A SCHEME OF THIS NATURE, WHICH INVOLVES A WHOLE PLANT PROJECT AND A LOCATION OUTSIDE THE PRC, NEITHER OF WHICH FALL WITHIN ITS NORMAL PURVIEW. WE WOULD RATHER THINK THAT SUCH A SCHEME WOULD BE PROMOTED BY THE CHINA RESOURCES COMPANY OR, MORE LIKELY, BY FRIENDLY CHINESE IN HONG KONG.

3. IN VIEW OF THESE DOUBTS, AND GIVEN THE UNPRECEDENTED NATURE AND COMPLEXITY OF THE PROJECT OUTLINED REFTEL, WE THINK THE DEPARTMENT, AND COMMERCE FOR THAT MATTER, SHOULD AVOID PUTTING THEMSELVES IN A POSITION WHERE THEY WOULD SEEM TO BE BACKING THIS SCHEME PARTICULARLY AT THIS EARLY STAGE. IN FACT, WE WONDER WHY LETTERS FROM STATE AND COMMERCE ARE NEEDED AT ALL IF THE CHINESE ARE TRULY SERIOUS ABOUT SUCH A PROJECT IT WILL SURELY NOT BE DIFFICULT FOR FLUOR TO PROCEED WITHOUT ANY SPECIAL INDICATION OF USG SUPPORT.
BUSH

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